

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 6432**

**BILL NUMBER:** HB 1165

**NOTE PREPARED:** Feb 10, 2007

**BILL AMENDED:** Jan 26, 2007

**SUBJECT:** Tax Credit for Truck Auxiliary Power Unit.

**FIRST AUTHOR:** Rep. Cochran

**FIRST SPONSOR:** Sen. Alting

**BILL STATUS:** As Passed House

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State

**Summary of Legislation:** (Amended) The bill provides an Income Tax credit to a taxpayer for purchasing and installing an auxiliary power unit in the taxpayer's qualified motor vehicle. The bill provides that a qualified motor vehicle is a motor vehicle that is classified as a heavy duty vehicle under federal law and is equipped with a sleeping compartment.

**Effective Date:** January 1, 2007 (retroactive).

**Explanation of State Expenditures:** The Department of State Revenue (DOR) will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the new tax credit for the cost of auxiliary power units installed in commercial motor vehicles. The DOR's current level of resources should be sufficient to implement the new credit.

**Explanation of State Revenues:** (Revised) *Summary:* The bill would reduce state Adjusted Gross Income (AGI) Tax liabilities of individual and corporate taxpayers for auxiliary power units (APUs) the taxpayers place in service on qualified motor vehicles during the taxable year. The fiscal impact of this credit is indeterminable and would depend on several factors for which data is unavailable. These factors include the number of qualified motor vehicles currently fitted with APUs, the demand for APUs, and the pricing and installation costs on APUs.

It is estimated that there could potentially be 16,000 to 24,000 Indiana trucks meeting the requirements under which the tax credit could be claimed for purchase and installation of an APU. The U.S. Department of Energy reports that APUs range in price from \$1,500 to \$7,000. Typical installation costs are unknown. Assuming the unit prices cited above, if APUs are installed on 160 to 240 of trucks each year (about 1% of

the truck total cited above), tax credits could range from \$48,000 to \$336,000 annually.

*Background:* The bill provides a nonrefundable tax credit against the AGI Tax liability of individual and corporate taxpayers for “alternative power units” (APUs) the taxpayer installs on the taxpayer's “qualified motor vehicles.” The credit is equal to 20% of the purchase price and installation cost of an APU. The bill defines an APU as a portable, truck-mounted system that provides climate control and power for a commercial motor vehicle that is not idling. The bill defines a qualified motor vehicle as a motor vehicle that: (1) when used with a trailer or semitrailer, is classified by the Federal Highway Administration as a heavy duty vehicle in vehicle Class 8 through vehicle Class 13; and (2) is equipped with a sleeping compartment. (Note: Class 8 to Class 13 vehicles are classified as tractor trailer trucks ranging from (1)a less than five-axle tractor/single trailer, medium haul delivery vehicle to (2) a more than six-axle multi trailer truck.) To be eligible for the tax credit, the APU must first be placed in service by the taxpayer after December 31, 2006. The taxpayer must claim one-half of the tax credit in the taxable year in which the APU was placed in service, and one-half of the credit in the next taxable year. The tax credit may be claimed by individual and corporate taxpayers, including shareholders or partners of a pass through entity.

Since the bill is effective beginning in tax year 2007, the fiscal impact relating to creditable APU installations could begin in FY 2008. Revenue from the corporate AGI tax is deposited in the state General Fund. Eighty-six percent of the revenue from the individual AGI Tax is deposited in the state General Fund, and 14% is deposited in the Property Tax Replacement Fund.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:**

**Information Sources:** U.S. Department of Energy, <http://www.eere.energy.gov/cleancities/idle/apu.html>. U. S. Census Bureau, *2002 Economic Census: Vehicle Inventory and Use Survey*. Brian Lehane, Motor Carrier Services Division, Department of State Revenue, (317) 615-7209. FHWA Vehicle Classes, Federal Highway Administration, <http://tmip.fhwa.dot.gov>.

**Fiscal Analyst:** Jim Landers, 317-232-9869.